

SECTION III – REPORTING
CHAPTER 1 – AUDIT CRITERION AND SUBMISSION

Accounting Principles

Accounting principles are guidelines or rules developed from experience or from research. Their purpose is to provide assurance that the information presented in the financial statements is valid, useful, and reliable. The auditor should make sufficient examination into the accounting principles used to permit a professional opinion as to whether the accounting system and the representations of management evidenced by financial reports are in conformity with such principles. Material changes and the reasons for them, if ascertainable, should be identified and their effect upon the financial reports, both historically and prospectively, should be explained. The auditor should also state his opinion as to the propriety of the change. Accounting principles on which the auditor's opinion is based should be identified in his report, as should statutory or administrative provisions adversely affecting the accounting principles in use by the organization, program or activity.

Legal or Regulatory Requirements

In any governmental audit in which the auditor is expected to give an opinion on the fairness of the presentations in financial reports, compliance with applicable laws and regulatory requirements is a matter of importance because noncompliance might result in liabilities not disclosed in the financial reports. Compliance with laws and regulatory requirements, in many instances, assumes an even greater importance since the recipients of the financial reports and the audit reports also want to know whether funds designated for certain purposes were spent for those purposes.

The standards for examination and evaluation require consideration of applicable laws and regulations in the auditor's examination. The standards for reporting require a statement in his report regarding any significant instances of noncompliance disclosed by his examination and evaluation work. What is to be included in this statement requires judgment. Significant instances of noncompliance, even those not resulting in legal liability to the audited entity, should be included.

Although the reporting standard is generally on an exception basis--that only noncompliance need be reported--it should be recognized that governmental entities often want positive statements regarding whether or not the auditor's tests disclosed instances of noncompliance. This is particularly true in grant programs where authorizing agencies frequently want assurance in the auditor's report that this matter has been considered. For such audits auditors should obtain an understanding with authorizing agencies as to the extent to which such positive comments on compliance are desired. When coordinated audits are involved, the audit program should specify the extent of comments that the auditor is to make regarding compliance.

When noncompliance is reported, the auditor should place his findings in proper perspective. The extent of instances of noncompliance should be related to the number of cases examined to provide the reader with a basis for judging the prevalence of noncompliance.

Peer Review

N.J.A.C. 6A:23-2.2(i) requires that districts engage only public school accountants who have had a peer review and obtain a copy of the audit firm's peer review. The board of education is required to review the peer review report prior to the engagement of a public school accountant for the annual audit, and to acknowledge its evaluation of the report in the minutes in which the board authorizes the engagement of the public school accountant to perform the annual audit.

"In accordance with NJOMB Circular Letter 98-07, a district board of education or charter school board of trustees shall ensure that the public school accountant provides a

copy of the most recent external peer/quality report to the Department, within 30 days after the initial engagement of a licensed public school accountant or firm and within 30 days after the issuance of a subsequent peer/quality report.”

The Department requests that the Peer Review report be attached to the Audit Questionnaire (see Chapter III-6).

Audit Submission

The audit must be completed not later than 4 months after the end of the fiscal year (November 1). N.J.S.A. 18A:23-3 requires “...such accountant shall within 5 days thereafter file two duplicate copies thereof certified under his signature in the office of the commissioner.” (November 6) No provision is made for the issuance of extensions beyond the statutory due date.

If a school district fails to have an annual audit completed by November 1 the Commissioner of Education can appoint a qualified auditor to conduct the audit of the school district. The cost of conducting such an audit would be paid out of the funds of the school district.

After filing the audit reports with the school district, the auditor must file five certified signed duplicate copies of the reports as listed below.

Commissioner of Education
Department of Education
c/o Office of Fiscal Policy and Planning
Riverview Executive Plaza, Building 100
Route 29
PO Box 500
Trenton, New Jersey 08625
(Within five days-**two copies, four if an Abbott district**)

Federal Audit Clearinghouse
Bureau of the Census
1201 East Tenth Street
Jeffersonville, IN 47132
(Within 30 days, **one copy**)
(Only required for districts expending \$300,000 or more in federal awards)

County Superintendent of Schools
(Within five days-**one copy**)

NJ Department of Agriculture
Bureau of Child Nutrition Programs
33 W. State St. – 4th floor
P.O. Box 334
Trenton, NJ 08625
(Within five days – **one copy**)

The two separate required audit reports (the CAFR, and the Auditors' Management Report) must be signed by the appointed public school accountant performing the audit and not by the firm or corporation that employs the auditor. Two copies of the Audit Questionnaire, also signed by the public school accountant, should be sent to the Office of Fiscal Policy and Planning. **Note to auditors of Abbott districts: Four copies of the complete audit package should be submitted to the Commissioner of Education address noted above.**

The Department of Education requests that one copy of the Data Collection Form (see below) be included with the reports sent to the department (see Quality Assessment Review Checklist #27) if the auditee expended \$300,000 or more in federal financial assistance.

Single Audit Report Submission Requirements

Federal Single Audit Requirements

For districts subject to the Single Audit Act pursuant to USOMB Circular A-133, the report submission requirements are as follows:

- The Data Collection Form (SF-SAC) and Reporting Package described below must be submitted to the Federal Clearinghouse within 30 days after receipt of the auditor's report(s).
- Based on the statutory deadline for filing the annual audit report for New Jersey School Districts, no submission to the Federal Clearinghouse should occur later than November 30th.
- The submission of anything other than a complete Data Collection Form and Reporting Package will be returned to the auditee.
- The Data Collection Form is to be submitted to the Clearinghouse as a separate document, not as part of the Reporting Package
- The Data Collection Form is signed by both the district and the auditor.
- The Data Collection Form and one copy of the Reporting Package should be submitted to the Clearinghouse for the Federal Clearinghouse archival copy.
- The auditee must also submit to the Clearinghouse one copy of the Reporting Package for each Federal awarding agency when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to **Federal awards that the Federal awarding agency provided directly**.

Data Collection Form

The Data Collection Form provides information on the type of audit, the auditee, the auditee's Federal programs, and the results of the audit.

The Data Collection Form must indicate the federal awarding agency(ies) that should receive the additional report(s). The Clearinghouse will distribute the additional copies to the appropriate federal awarding agencies using the information reported on the form. In addition to the required submissions to the Federal Clearinghouse, the auditee must also submit one copy of the Reporting Package to each pass-through entity when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to Federal awards that the pass-through entity provided. If the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed no audit findings or did not report on the status of prior audit findings relating to Federal awards that the pass-through entity provided, the auditee shall provide written notification to the pass-through entity in accordance with Section .320(e)(2). One copy of the Reporting Package and the Auditor's Management Report should be filed with the NJ Department of Agriculture, Bureau of Child Nutrition Services, 33 W. State St. – 4th floor, P.O. Box 334, Trenton, NJ 08625.

The Form and instructions for completing the form are available on OMB's home page or from the Federal Audit Clearinghouse at 1-888-222-9907. The Clearinghouse has also developed the Data Collection Form in various word processing packages, as well as a process for electronic submission. Auditors should reference the Clearinghouse home page for further information.

Reporting Package

The Reporting Package must include the financial statements, the schedule of expenditures of federal awards, the summary schedule of prior audit findings, the corrective action plan, and the auditor's reports.

Corrective action plan

The corrective action plan filed with the Federal Clearinghouse (A-133 corrective action plan) addresses each audit finding included in the current year auditor's reports in the Single Audit Section of the CAFR. This requirement differs from the requirement for filing the corrective action plan with the county superintendent. The corrective action plan filed with the county superintendent addresses each finding included in the Auditor's Management Report and must be filed within 30 days following the board meeting at which the audit was discussed. In accordance with OMB Circular A-133 section .320(c), the corrective action plan is a required component of the Reporting Package. District staff should prepare the A-133 corrective action plan in a timely manner so as to meet this filing deadline. See OMB Circular A-133 section .315(c) for guidance on preparing the A-133 corrective action plan. Refer to Section III, Chapter 7 for guidance on the corrective action plan to be filed with the county superintendent.

State Single Audit Requirements

NJOMB Treasury Circular Letter 98-07 states that "in addition to federally required reports and opinions, recipient single audits must contain similar reports and opinions for State grant or State aid funds" and also requires that the single audit reports include a Schedule of Expenditures of State Financial Assistance. The Data Collection Form, Reporting Package and auditor's management letter must be submitted to State funding departments that provided assistance to the auditee. This is a requirement regardless of whether or not the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings pertaining to assistance that the State funding department provided. One copy of the reporting package and the Auditors' Management Report should be filed with the NJ Department of Agriculture, Bureau of Child Nutrition Services, 33 W. State St. – 4th floor, P.O. Box 334, Trenton, NJ 08625.

Reporting Errors

N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditors' Management Report filed with the Department of Education. All findings must be included in that report of audit. This includes any items contained in a separate schedule of findings and questioned costs included in the single audit section of the district's CAFR.

Sometimes an auditor will detect an error which requires disclosure pursuant to N.J.S.A. 18A:23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.

Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditors' Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the district's Corrective Action Plan.

In accordance with the Single Audit Act, USOMB Circular A-133, and NJOMB Circular Letter 98-07, questioned costs and findings of noncompliance with applicable federal and state laws and regulations pertaining to federal and state financial assistance programs must be reported in the Schedule of Findings and Questioned Costs in the single audit section of the district's CAFR if they meet the criteria for reporting audit findings as detailed in Circular A-133 (Section .510). As noted above, all items reported in the single audit section must be repeated in the Auditors' Management Report.